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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Adopt Rules  
and Procedures Governing Commission-  
Regulated Natural Gas Pipelines and Facilities  
to Reduce Natural Gas Leakage Consistent  
With Senate Bill 1371.

R.15-01-008  
(Filed January 15, 2015)

**PACIFIC GAS AND ELECTRIC COMPANY'S REPLY COMMENTS ON  
ADMINISTRATIVE LAW JUDGE'S RULING ENTERING STAFF  
WORKSHOP SUMMARY AND WORKSHOP MATERIALS ON  
TARGETS, COMPLIANCE, AND ENFORCEMENT INTO THE  
RECORD AND SEEKING COMMENTS**

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Dated: July 22, 2016

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**I. INTRODUCTION**

Pursuant to Administrative Law Judge (ALJ) Kersten’s Ruling Entering Staff Workshop Summary and Workshop Materials on Targets, Compliance, and Enforcement into the Record and Seeking Comments (Ruling), issued on June 23, 2016, Pacific Gas and Electric Company (PG&E) respectfully submits the following reply comments.

**A. More information is needed to determine a baseline and establish meaningful targets.**

PG&E supports the stakeholder comments<sup>1</sup> recommending that the California Public Utilities Commission (CPUC) and the California Air Resources Board (ARB) develop additional information before determining a baseline of methane emissions and before establishing any targets.<sup>2</sup>

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<sup>1</sup> See Environmental Defense Fund (EDF) Opening Comments at 2, 9; Office of Ratepayer Advocates (ORA) Opening Comments at 5: “In light of significant data uncertainties, ORA recommends that the CPUC and CARB focus on the establishment and implementation of best practices that are proven to increase system safety, reduce risk and are cost-effective, and not focus on a hard percentage-based emissions reduction goal at this time....”

<sup>2</sup> See also PG&E Opening Comments at 7.

PG&E also agrees that targets should be updated as needed to reflect up to date verified data and technologies.<sup>3</sup> The flexible annual Compliance Plan approach proposed by PG&E,<sup>4</sup> supplemented with an operator's annual emissions report, ensures maximum work is being implemented to reduce emissions and provides the necessary information to update the target.

With this flexibility incorporated, PG&E supports setting an interim percentage reduction target as a starting point. Under PG&E's proposed flexible annual Compliance Plan for Best Practices, any target adjustment would be subject to the Commission's and ARB's review and approval based on the data included in annual emissions reporting, and may include additional verified data and analytics that become available. This is consistent with PG&E's proposal for a phased-in approach to implementing methane reduction measures and adjusting targets as new data becomes available.<sup>5</sup>

**B. Accurate and transparent data are the foundation for setting meaningful methane emissions reduction targets.**

PG&E along with other stakeholders advocate for not only developing a baseline, but also for target setting to "... first begin with ensuring access to, and use of, accurate and transparent data."<sup>6</sup> PG&E believes its Compliance Plan proposal supports this idea by engaging the CPUC and ARB to conduct periodic reviews of a company's Compliance Plans and emissions reporting. This will help inform realistic targets, including potential adjustments to

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<sup>3</sup> EDF Opening Comments at 1: "...Meaningful statewide targets cannot be set without a clear picture of the current state of emissions, and some idea of what is possible based on the existing state of technology. And as more information is gained, and technology developed, targets should be updated to reflect that data, especially in cases where data indicates more emissions reductions are possibly than previously thought. The SB 1371 law itself does not [set] a numeric target, but rather sets a final target of minimized emissions – and what a minimum level of emissions represents will likely change as technology, accuracy, and transparency improves."

<sup>4</sup> See PG&E's Comments on Administrative Law Judge's Ruling Entering Summary of Best Practices Working Group Activities and Staff Recommendations into the Record and Seeking Comments, May 6, 2016, at 3-5.

<sup>5</sup> See PG&E Opening Comments at 8.

<sup>6</sup> EDF Opening Comments at 1-2. See also Independent Storage Provider (ISP) Opening Comments at 7.

those targets, and ensure operators are achieving emissions reductions cost-effectively and at a reasonable pace.

**C. SB 1371 directs the CPUC to balance various policy considerations in developing regulations rather than mandating a specific regulatory framework.**

PG&E disagrees with comments that suggest SB 1371 mandates a specific regulatory framework.<sup>7</sup> Instead, in implementing SB 1371 the Commission is tasked with developing a regulatory framework that achieves a balance between meeting the goal of methane emissions reduction, cost-effectiveness considerations and ratepayer affordability, all while ensuring that safety and reliability are not compromised.

**D. Methane emissions reduction requirements should apply to all gas operators, and targets should take into account historical emission reduction activities.**

PG&E agrees that methane reduction requirements should apply to all California operators.<sup>8</sup> Likewise, PG&E agrees that a “one size fits all” reduction target for operators is not appropriate,<sup>9</sup> consistent with its recommendation that the Commission adopt an operator-

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<sup>7</sup> See EDF Opening Comments at 6: “Because the law includes a statutory target of minimizing methane emissions *to the maximum extent possible*, CARB should update targets as knowledge of emissions and available emissions reduction strategies becomes more accurate.” (Emphasis added.). See also Coalition of California Utility Employees (CUE) Opening Comments at 2: “SB 1371 . . . does not require nor authorize the Commission to first set a threshold of cost effectiveness.”

<sup>8</sup> See EDF Opening Comments at 6: “CARB should set a California wide goal for emissions reductions. Each utility and storage provider should analyze its data and prioritize repair of the largest leaks or groups of leaks first as that will likely secure the greatest amount of volumetric reductions. Utilities and storage providers should not have the same interim targets for emissions reductions, because it may not be possible to have each regulated entity reduce to the same percentage. However, that does not mean that those with minimal leaks should not have to improve their emissions profiles, it just means that smaller emitters will have a smaller portion of the statewide goal they are responsible for.”

<sup>9</sup> See ISP Opening Comments at 4: “A ‘one size fits all’ reduction target at the individual company level, applied against an individual company’s total 2015 baseline emissions, is not appropriate. If individual targets are set at a company level, they need to take into account prior investment and measures that have already been taken, the types of opportunities for meaningful additional reduction that exist, and the cost-effectiveness of implementing such measures.”

specific, flexible Compliance Plan approach.<sup>10</sup> This Compliance Plan approach would allow operators to identify the most cost-effective ways to drive emissions down. In cases where an operator focuses on a specific sector or is smaller, it can still utilize a Compliance Plan to identify emissions reduction work that will contribute to California's overall reduction.<sup>11</sup> Also, while PG&E does not believe the best practices identified in this proceeding should be mandated, they can be applied for different components and should be considered by all operators as part of an annual Compliance Plan process.

Further, PG&E agrees that targets should take into account historic methane emissions reductions that have already occurred.<sup>12</sup> PG&E has completed significant work and will continue to adopt proactive measures to drive emissions reductions and maintain the safety of its compression and storage assets, as well as other gas system assets.

**E. Developing a framework in Phase 1 for determining cost effectiveness is critical to establishing effective targets and enforcement mechanisms, with consideration of any performance-based incentives determined in Phase 2.**

The Scoping Memo makes clear that the Commission will resolve this proceeding in two distinct phases: Phase 1 “will develop the overall policies and guidelines for a natural gas leak abatement program consistent with SB 1371 and include the following program development activities: 1) information gathering, measurement, and best practices; 2) targets, compliance and reporting; and 3) training and enforcement.” Phase 2 “will develop ratemaking and performance-based financial incentives associated with the natural gas leak abatement program and will be subject to the development of a second scoping memo depending on the outcome of

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<sup>10</sup> See PG&E's Comments on Administrative Law Judge's Ruling Entering Summary of Best Practices Working Group Activities and Staff Recommendations into the Record and Seeking Comments, May 6, 2016, at 3-5.

<sup>11</sup> See ISP Opening Comments at 9.

<sup>12</sup> See ISP Opening Comments at 3-4: “As targets are set, however, it is imperative to consider investments that already have been made in methane emissions reductions, and resulting emission reductions that occurred prior to 2015...”

Phase 1 activities.”<sup>13</sup>

As stated by stakeholders in opening comments, establishing a framework for assessing the cost effectiveness of best practices is critical to determining the scope of work.<sup>14</sup> Cost effectiveness considerations are essential to determining the scope and pace of measures, and will therefore be critical to developing a meaningful target.

## II. CONCLUSION

PG&E appreciates the opportunity to provide these reply comments in response to parties’ opening comments on the Ruling and Staff Workshop Summary.

Respectfully Submitted,

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<sup>13</sup> Scoping Memo and Ruling of Assigned Commissioner, July 24, 2015 at 5.

<sup>14</sup> See Opening Comments of Southern California Gas Company and San Diego Gas & Electric Company at 14: “Objective criteria to compare the effectiveness of Best Practices in order to choose the ones with the most emission reductions for the least cost need to be established before any specific goals are set for the program.” See also ORA Opening Comments at 6.